

## Message Text

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PAGE 01 ISLAMA 09227 01 OF 02 131157Z  
ACTION SNM-02

INFO OCT-01 NEA-10 ISO-00 AID-05 IGA-02 DEAE-00 ABF-01  
OMB-01 USIE-00 CIAE-00 INR-07 IO-14 JUSE-00  
NSAE-00 TRSE-00 OES-07 NSCE-00 SSO-00 SS-15 HEW-06  
DODE-00 L-03 AGRE-00 FAA-00 EB-08 DOTE-00 INRE-00  
/082 W

-----074193 131213Z /44

O 131104Z SEP 77  
FM AMEMBASSY ISLAMABAD  
TO SECSTATE WASHDC IMMEDIATE 3782

UNCLAS SECTION 1 OF 2 ISLAMABAD 9227

FOR DEPT. STATE, S/NM  
PASS AID, SER/INC

E.O. 11652: N/A  
TAGS: SNAR, PK, EPK, EAID  
SUBJ: NARCOTICS INCOME SUBSTITUTION RESEARCH PROJECT

REF: A) STATE 214953, B) ISLAMABAD 2748, C) ISLAMABAD 8994

SUMMARY: EMBASSY/USAID EXPLAIN REASON FOR REQUEST OF WAIVER SECTION 612(B) OF FAA FOR SUBJECT PROJECT. JUSTIFICATION SHOULD BE BASED UPON GENERAL JUSTIFICATION APPLICABLE TO NEW DIRECTIONS PROJECTS AND ACTIVITIES WHICH ARE MAJOR DEPARTURES FROM GENERAL PAKISTANI POLICY, INVOLVE CONSIDERABLE POLITICAL RISK, ARE SHARPLY EXPERIMENTAL OR OTHERWISE HAVE SIGNIFICANT BUREAUCRATIC DRAG IN GOP. THIS PROJECT INVOLVES ALL OF THESE FACTORS. IN ADDITION WE ARE URGENTLY ATTEMPTING TO EXECUTE AGREEMENT IN TIME TO BEGIN IMPLEMENTATION BEFORE START OF NEW TOBACCO/POPPY PLANTING SEASON. ADDITIONAL DETAILS OF COST ALSO PRESENTED. ACTION REQUESTED: NOTIFICATION THAT WAIVER IN PROCESS DATE SIGNATURE EXPECTED, AND FUNDING CITATION.  
END SUMMARY.

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1. WE SHARE WASHINGTON CONCERN THAT EXCESS RUPEES BE USED TO FULLEST EXTENT POSSIBLE AND APPROPRIATE FOR US ACTIVITIES IN PAKISTAN. AS WASHINGTON AWARE, WE ARE ATTEMPTING TO USE QTE COUNTRY USE UNQTE AVAILABILITIES AS RAPIDLY AS WE CAN, AND IN ACCORDANCE WITH PROJECTION OF AVAILABILITIES PRESENTED IN AUGUST 9,1974 WHITENER (M/FRM/FM) TO LENNARD (OMB) MEMORANDUM. BUT AS NOTED IN REF B, THERE ARE NONETHELESS CASES IN WHICH IT IS

NOT APPROPRIATE FOR US TO ATTEMPT TO USE RUPEES FOR LOCAL COSTS.

2. THESE CASES ARE THOSE WHERE SECTIONS OF GOP ARE STARTING IN NEW DIRECTIONS, WHERE ACTIVITY HAS A HIGH POLITICAL OR ECONOMIC RISK, OR ARE HEAVILY EXPERIMENTAL. IN THESE CASES, BECAUSE THE PROVISION OF U.S. GOVERNMENT OWNED LOCAL CURRENCY IS MERELY A PROGRAMMING BY US OF RESOURCES ALREADY IN PAKISTAN, ELEMENTS OF THE GOP WHO ARE APPREHENSIVE OF RISKS RIGHTFULLY PERCEIVE NO ADDITIONAL IMMEDIATE GAIN TO PAKISTAN'S ECONOMY OF PERMITTING THE U.S. GOVERNMENT TO MAKE PAKISTAN'S RESOURCE ALLOCATION DECISIONS. BY CONTRAST, DIRECT FOREIGN CURRENCY PAYMENTS FOR OUR SHARE OF COSTS PROVIDE ADDITIONAL RESOURCES TO PAKISTAN AND DO NOT FORCE GOP TO FOREGO OTHER ACTIVITIES TO PROVIDE ALL THE RESOURCES NEEDED FOR THE ACTIVITY IN QUESTION.

3. THIS PROJECT IS HIGHLY EXPERIMENTAL IN NATURE AND REQUIRES INNOVATIVE ACTIONS ON THE PART OF PAKISTANI INSTITUTIONS. ALSO, TIMING IS OF IMPORTANCE BECAUSE THE TOBACCO PLANTING SEASON WILL BEGIN SHORTLY. THE ADDITIONAL INCENTIVE PROVIDED BY ADDITIONAL FOREIGN EXCHANGE RESOURCES IN PROJECT WILL HELP TO OBTAIN PROMPT PROCESSING OF AGREEMENT AND TIMELY ACTION BY GOP. THIS PROJECT EXPERIMENTS WITH WHAT COULD BE THE START OF SIGNIFICANT POLICY CHANGES BY GOP. FOREIGN EXCHANGE PROVIDES THE NECESSARY EXTRA INCENTIVE FOR GOP TO PURSUE THESE INITIATIVES.

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ACTION SNM-02

INFO OCT-01 NEA-10 ISO-00 AID-05 IGA-02 DEAE-00 ABF-01  
OMB-01 USIE-00 CIAE-00 INR-07 IO-14 JUSE-00  
NSAE-00 TRSE-00 OES-07 NSCE-00 SSO-00 SS-15 HEW-06  
DODE-00 L-03 AGRE-00 FAA-00 EB-08 DOTE-00 INRE-00  
/082 W  
-----074342 131213Z /43

O 131104Z SEP 77  
FM AMEMBASSY ISLAMABAD  
TO SECSTATE WASHDC IMMEDIATE 3783

UNCLAS SECTION 2 OF 2 ISLAMABAD 9227

FOR DEPT. STATE, S/NM  
PASS AID, SER/INC

4. BREAKOUT OF MAJOR BUDGET ELEMENTS OF TOBACCO

COMPANY PROGRAM IS AS FOLLOWS:

A) INCENTIVES TM FARMERS

I) SEED-BEDS # 60,000

II) FERTILIZER 690,000

III) PESTICIDES 267,000

IV) SPRAY PUMPS 552,000

V) PAYMENT TO PLUGH IN 250,000

EXISTING CROPS

VI) SUBSIDIES FOR BARN 265,000

CONSTRUCTION

INCENTIVES TOTAL 2,093,000

B) STAFF EXPENSES 221,700

C) OPERATINB EXPENSES 110,000

D) EQUIPMENT

I) ONE VEHICLE 80,000

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II) 6 MOTORCYCLES 72,000

III) 3 TRACTORS 150,000

EQUIPMENT TOTAL 202,000

E) BUDGET TOTAL # 2,626,700

(US DOLLAR EQUIVALENT DOLS 265,000)

T. ALL OF THE ITEMS PROVIDED AS INCENTIVES TO FARMERS ARE AVAILABLE LOCALLY AND EVEN THE VEHICLES ARE AVAILABLE LOCALLY IF THE WAIVER REQUESTED IN REF C IS APPROVED. THEREFORE, NO SPECIFIC FX ITEMS ARE INVOLVED AND ALL ITEMS WILL BE PURCHASED LOCALLY BY TOBACCO COMPANY AND/OR GOP AGENCIES. HOWEVER, THERE ARE FX ELEMENTS IN MANY OF THESE ITEMS (VEHICLES ABVIOUS EXAMPLE). MOREOVER, THE WAIVER OF 612B JUSTIFICATION IS NOT BASED ON THE AMOUNT OF FX INVOLVED, BUT RATHER THE POLICY EFFORTS TO BE ACHIEVED.

6. SEPTEL ON FUNDING OF PESTICIDES TO FOLLOW.

7. ACTION REQUESTED: INITIATION OF 612B WAIVER AND NOTIFICATION OF THAT ACTION, AND OF SIGNATURE. ALSO PLEASE SEND FUNDING CITATION.

HUMMEL

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NARCOTICS, RESEARCH  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
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**Enclosure:** n/a  
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**Errors:** N/A  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 43470548-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION SNM  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 214953, 77 ISLAMABAD 2748, 77 ISLAMABAD 8994  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**SAS ID:** 1298513  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NARCOTICS INCOME SUBSTITUTION RESEARCH PROJECT  
**TAGS:** SNAR, EAID, PK  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/43470548-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009